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**FISCAL IMPACT STATEMENT**

**LS 7552**

**BILL NUMBER: SB 341**

**NOTE PREPARED:** Feb 15, 2007

**BILL AMENDED:**

**SUBJECT:** Local Government Investment Pool.

**FIRST AUTHOR:** Sen. Ford

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill establishes the Local Government Investment Pool within the office of the Treasurer of State. It allows local units of government to pay money into the investment pool for the purpose of deposit, investment, and reinvestment of the money by the Treasurer of State on behalf of the units. The bill requires the Treasurer of State to invest the funds in the Investment Pool in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds.

The bill authorizes the Treasurer of State to contract with accountants, legal counsel, regulated investment advisors, money managers, and other finance and investment professionals to make investments and provide for the public accounting and legal compliance necessary to ensure and maintain the safety, liquidity, and yield of the investment pool.

The bill requires the Treasurer of State to establish and make public the policies that the Treasurer of State will follow in the administration of and accounting for the investment pool. It requires the policies to provide the following: (1) There is not a minimum time for which funds must be retained by the investment pool. (2) The administrative expenses of the investment pool shall be paid from the earnings of the investment pool. (3) The earnings of the investment pool in excess of administrative expenses shall be credited to the state and each unit of government participating in the investment pool in a manner that equitably reflects the different amounts and terms of the state's investment and each unit's investment. (4) There is not a limit on the number of accounts that the state or a unit of government participating in the investment pool may establish within the investment pool. (5) The state and each unit of government participating in the investment pool shall receive certain daily and monthly reports. (6) The investment pool shall be audited annually by an independent auditing firm.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The Treasurer of State may incur some additional expense associated with the administration of the investment pool. The additional administrative costs would be paid from the investment pool's interest earnings.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Local units of government could receive an increase in interest revenue if they elect to participate in the investment pool and the Treasurer of State is able to generate a higher rate of return on a larger pool of funds. Over the last five years local governments have budgeted interest revenue from \$72 M to \$184 M. The average has been about \$110 M. The amount budgeted may be different than the amount actually received. If the State Treasurer could earn 10% more in interest with the investment pool than the local units of governments are currently earning, the additional revenue to local units could range from \$7.2 to \$18.4 M.

Funds invested by the Treasurer of State earned on average about 4% for FY 2006, with individual funds ranging from 2.39% to 6.56%.

**State Agencies Affected:** Treasurer of State.

**Local Agencies Affected:** All.

**Information Sources:** Department of Local Government Finance and Department of Education databases; *Treasurer's Annual Report, State of Indiana, FY 2006.*

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